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PACIFIC POWER'S GROWTH STEADY

Present Low Domestic Rates Result of Centralized Financial Control

PORLTAND—Study of Pacific Power & Light reveals an interesting example of the part played by holding companies in the electric utilities of the Pacific Northwest to the point where Oregon and Washington now enjoy the lowest average domestic rates in the country.

Politically minded critics of the private electric utilities are prone to forget the amazing progress made by the industry since citizens of Portland flocked aboard the steamer "State of California" in the early summer of 1879 to see a lighted electric arc lamp for the first time.

As men now little past middle-age can well remember, many of the first electric plants in the Pacific Northwest were installed in saw mills. Probably the first commercial application of electric arc lights in Portland was made in 1880 when a small dynamo of the brush type was installed in George W. Weidler's sawmill. Two or three lamps were placed about the mill yard and a single circuit of bare copper wire was run up town to First and Oak streets, where a lamp was hung under the awning of Matt Keith's oyster house.

Astoria Plant Started in 1888

Astoria's first electric service was also provided by a sawmill, and the history of this development illustrates the natural evolution of the Electric Bond & Share Co. system, of which Pacific Power & Light is one of the oldest affiliated operating units.

The original Astoria plant was installed in a planer shed of the West Shore Mills, owned and operated by J. C. Trullinger, in the latter part of 1888. Trullinger had come to Oregon from Indiana in '47, and experiences in the California and Oregon gold fields and as operator of water-power sawmills near Portland in the '60s had not dimmed his taste for pioneering. A San Francisco salesman for Keith dynamos had an easy time convincing him that the electric business would be an ideal side-line for a sawmill. Mill waste would provide fuel without cost, and revenues would be just so much velvet.

Trullinger ordered two 30-lamp machines at a cost of \$7,500 each, including the arc lamps. The dynamos had to be built to order and the first one delivered was set up in the planer shed and connected to an extended line shaft.

\$15,000 Dynamos Sold for \$150

A contract for ten street lamps was obtained from the city, the C. H. Cooper dry goods store put in four lamps, and the rest of the initial 30 was taken by enterprising saloons and dance halls. Feed wires were strung from house-top to house-top, poles being erected only where vacant lots made too great a gap to be bridged. The initial rate was \$16 a lamp per month. Current was turned on for the first time about 7 o'clock on Christmas eve, 1888.

A few months later the second dynamo was delivered and this, along with the first was set up in a building erected for the purpose adjacent to the mill site. Separate boilers and engines were installed, the engines being of 30-hp. each. There was no effective governing device and from the time the plant was started at dusk until it closed for the night, the engineer was kept jumping from one throttle to the other in a frantic effort to maintain something like a steady voltage.

Between generator trouble, line trouble and the never-ending task of repairing the temperamental clockwork mechanism of the lamps, three Trullinger boys were kept on the go 12 to 16 hours a day.

The Keith dynamos lasted about a year and were replaced by two machines made by Thomson & Houston, one of the companies later merged into General Electric. The old dynamos, representing an investment of \$15,000, were sold for \$150 to an electric company at Salem, Ore., which wanted spare parts to keep a similar installation in repair.

Domestic Service Began in 1890

About 1890 a 75-hp. Thomson & Houston dynamo was purchased to generate current for incandescent lamps, and Trullinger went out for residential as well as commercial business. The first ten or twelve houses were wired free to get customers on the line. The house in which Thad Trullinger, son of the pioneer, lives today is still served by the original wiring put in at that time.

Sixteen-candlepower lamps cost \$1.50 each and the service charge for business establishments was 75 cents a month per lamp for 10 o'clock lights, \$1 a month for 12 o'clock lights and \$1.50 a month for all-night lights. The residential rate was one-half of the commercial rate, with the agreement that current would not be wasted.

A flat rate soon proved to be impracticable,

however, for the reason that merchants would neglect to pay the night watchman to turn off their window lights at the appointed hour and householders got into the habit of going to bed with the lights on. This led to the inauguration of metered service.

Due to the rapid obsolescence of early equipment and the constant demand for additional capital investment in service facilities, the electric division of the West Shore Mills was far from self-supporting. In 1897, during a controversy with the city council over the street-lighting contract, Trullinger declared he had \$75,000 invested in the system. Profits from the lumber business had to be poured into electrical equipment and the project that had promised to convert mill waste into extra dividends was only an added burden.

S. Z. Mitchell Reorganizes Concerns

In addition to the electric lighting plant, Astoria had an artificial gas plant, established in 1883, and a street railway, incorporated in 1877. The latter was electrified in the '90s, equipment being purchased from General Electric Co. Each of the three utilities was independent of the others.

Shortly after the turn of the century the street railway went into bankruptcy and the property was taken over by General Electric for debt on equipment.

S. Z. Mitchell was at that time manager of GE's Portland branch and with other representatives of the company he went to Astoria to investigate the situation. All but Mitchell were in favor of junking the equipment and taking the loss.

Mitchell, however, had a better idea, as might have been expected from a man who made a success of selling lamps and equipment in the Pacific Northwest for the old Edison company back in the days when it was necessary to organize an electric company in order to make a sale. He had organized and built the first electric plant in Seattle in 1885. In 1886 he built the first electric plant in Spokane, a 40-hp. hydro development. To his energy and initiative numerous other communities in Washington and Oregon owed their first electric service.

In the bankrupt Astoria property Mitchell saw an opportunity for constructive reorganization. With characteristic vigor he organized the Astoria Electric Co., which issued \$50,000 in bonds. General Electric took \$25,000 of the issue in exchange for the property. Mitchell, J. A. Cranston, C. N. Huggins, S. S. Gordon and C. H. Page each put up \$5,000 in cash. With the bonds went 3,000 shares of common stock on a pro rata basis. The cash was used to extend the line and put in a new power plant, and thereupon the property took on new life. This was in 1901.

Three Companies Consolidated

Next, Mitchell set out to effect a consolidation of the street railway, the lighting company and the gas company, which was brought about in 1902. Service was greatly improved and earnings were sufficient to carry the bonds and pay some dividends.

One of the progressive moves sponsored by Mitchell was to institute 24-hour service from the lighting plant, a step that was viewed with considerable skepticism by some of the local investors.

For General Electric to become a partner in a small utility company 3,000 miles away from its home office was nothing new. In the early days of the electrical industry it was a common thing for an equipment manufacturing concern to have to take stock in a new company for part payment of equipment furnished, or to acquire an interest in a company as a result of creditors' reorganizations.

The bulk of the securities so obtained were unsalable, with the result that a large amount of capital was tied up in them. How to realize something on these voluntary and involuntary investments was one of General Electric's troublesome problems. The G. E. company was primarily an equipment manufacturing firm. It had no adequate staff to guide the financial operations of the utilities in which it had in many instances been forced to become a partner.

C. A. Coffin, then at the head of General Electric, realized that if the company was to get its money out of the miscellaneous assortment of unripe securities held in its treasury, competent financial and operating supervision would have to be provided to the utilities represented. In S. Z. Mitchell he saw a man fitted to take over the responsibility.

The Beginning of Electric Bond & Share

So in February, 1905, Electric Bond & Share Co. was organized, with a staff consisting of Mitchell, a bookkeeper and a stenographer. It began business by issuing to the public \$1,000,000 of 6% preferred stock and by issuing an equal amount of common stock, which was all taken by General Electric in exchange largely for local company securities already held. (The G. E. company some years later distributed to its stockholders all of its Bond & Share holdings.)

Then began the tremendous task of providing financial succor to underfinanced companies and seeing to it that the various local companies had capable engineering and operating advice.

The management service thus provided was of great value, but had definite limitations, owing to the fact that the individual units served were widely scattered. At best, they could cut costs, reduce rates and extend service only to

the same extent as any other well managed, well financed but isolated property.

If all the properties in which Electric Bond & Share held an interest had been concentrated in one area, the obvious step would have been to weld them into a single operating company. They were not, but another step soon became equally obvious to Mitchell.

The Astoria Electric Co., for example, might be away off by itself in the northwestern corner of Oregon, but from his familiarity with the Pacific Northwest Mitchell knew that at Yakima and Walla Walla and The Dalles and other points were local utilities, inadequately financed almost without exception and giving only such services as depreciated equipment might permit. The thing to do, he saw, was to assemble these properties into one operating company, with the Astoria company as the nucleus.

American P. & L. Financed Operating Firms

A development of this sort demanded capital. It also required an enlargement of Electric Bond & Share's original plan. Therefore, American Power & Light Co. was organized in 1909 by Mitchell and his associates for the highly specialized function of financing regional operating companies, each of which would have a sufficient volume of business to interest the investing public. Its own securities would be given stability by reason of a geographic diversification of holdings, and their marketability would be enhanced both by reason of their sponsorship and because of the fact that the operating companies would be known to have the benefits of Electric Bond & Share's expert service. In this new company Electric Bond & Share had only a minor direct interest.

With the resources it was able to command, American Power & Light took over Bond & Share's holdings in the Astoria Electric Co. and then proceeded to acquire the utility properties at Yakima, Walla Walla, Pasco, Kennewick, and adjacent small communities in Washington, at The Dalles and Pendleton in Oregon, and at Lewiston, Idaho. These properties were merged into Pacific Power & Light Co., which was incorporated June 16, 1910.

Practically all of the properties acquired were short of funds for additions and improvements necessary to serve the public properly. Their financial structures were not well designed and each individual unit was so small that it was difficult to obtain adequate funds on any reasonable basis. Many of the generating plants were in such deteriorated condition they had to be rebuilt at once.

Immediately after the companies were brought into Pacific Power & Light Co., construction of generating plants was started at Naches and Yakima and a 66,000-volt trans-

mission line built from Pasco to Lind, Washington, to connect with the high-tension line of Washington Water Power Co. at the latter point.

Rate Cuts Followed Acquisitions

In 1911 additional properties were acquired to round out the system, including plants at Goldendale, Prosser, Waitsburg, Dayton, Tucannon and Husum, in Washington, and at Hood River, Oregon. In nearly every case there were prompt reductions in rate and improvements in service.

At the time of acquisition, many of the smaller plants were giving only dusk to midnight service. Others were giving all-night service, but confined day service to Tuesday mornings, when housewives might be ironing. Central station equipment was mostly old and control devices were often unique.

The operator of the hydro-electric plant at Waitsburg, for example, regulated voltage during night hours of his 24-hour shift by means of a carbon filament lamp hung directly over his cot. As the evening load went off the line, the dynamo would pick up speed and the increased brilliance of the lamp would waken the operator, who would then reach over to a conveniently located hand-wheel and cut down the flow of water through the turbine. As lights were turned on again in the early morning, the pilot lamp would grow dim, the operator would open up the head-gate and go back to sleep.

The large amount of cash needed by Pacific Power & Light to rebuild old plants, improve distribution facilities and link the communities served with high-tension transmission lines was advanced from time to time by American Power & Light Co. After the extensions were completed and had begun to earn their way, Pacific Power & Light Co. would issue bonds and/or preferred stock, whichever could be done most advantageously, and reimburse the parent company for the advances. Flotations of the operating company's bond issues were also handled by American Power & Light, usually to the marked advantage of the former.

49,097 Customers Now Served

Several gas plants and water systems were acquired by Pacific Power & Light when the company was formed, but in later years these were disposed of, with the exception of two small water systems which are still operated. The Idaho properties were sold to Washington Water Power Co. In recent years the company acquired electric properties in Deschutes and Wallowa counties, Oregon.

Today, Pacific Power & Light Co. serves 49,097 customers with electric power and light. It has an installed generating capacity of 30,567

kilowatts and operates directly 1,012 miles of electric lines of 11,000 volts and over and 1,961 miles of less than 11,000-volt lines.

All members of the present board of directors are residents of Oregon or Washington. Officers are Paul B. McKee, president; Lewis A. McArthur, vice president and general manager; John A. Laing, vice president and general counsel; Edward Cunningham, vice president; and C. W. Platt, secretary and treasurer. Other Portland members of the board are J. C. Ainsworth, H. S. Gray, George L. Myers, Will T. Neill, Charles M. Sanford, S. E. Skelley, Guy W. Talbot and George H. Wisting. Washington is represented by H. C. Lucas of Olympia, and Josiah Richards of Spokane.

That there have been occasional mistakes in judgment on the part of the management during the last 24 years, the officers of the company would be frank to admit. But this does not lessen their pride in the achievements of Pacific Power & Light Co. in its high standards of service. Nor does it lessen their respect for and loyalty to the holding company that has always stood behind them when financial aid was needed to provide the facilities that have been so essential to the general development of the communities served.

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